"HSIL Q1 FY2019 Results Conference Call"

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MANAGEMENT:	**MR. SANDEEP SIKKA – CHIEF FINANCIAL OFFICER – HSIL LIMITED** **MR. R. B KABRA – PRESIDENT, BUILDING PRODUCTS – HSIL LIMITED** **MR. NAVEEN MALIK – HEAD, CORPORATE FINANCE – HSIL LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Q1 FY2019 results call of HSIL hosted by Emkay Global Financial Services. We have with us today from the management Mr. Sandeep Sikka - CFO, Mr. R.B. Kabra - President Building Products and Mr. Naveen Malik – Head, Corporate Finance. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Naveen Malik for his opening remarks. Thank you and over to you Sir!

Naveen Malik: Good evening. At the start of conference call, I would like to refer to the disclaimer from our investor presentation. Certain statements in this conference call concerning our future growth prospects are forward-looking statements within the meaning of applicable securities laws and regulations and involve a number of risks and uncertainties, beyond the control of the Company that could cause actual results to differ materially from those appearing in such forward-looking statements. You are requested to refer to the disclaimer from our investor presentation before acting or taking any decisions on the basis of this conference call.

The results for the quarter ended 30th June 2018 have been prepared in compliance with the applicable Indian Accounting Standards (Ind AS) notified by the MCA.

With effect from 1st July 2017, GST has replaced Excise Duty, Service Tax, and various indirect taxes. Revenue for corresponding previous reporting periods was reported inclusive of Excise Duty whereas revenue for the quarter ended 30th June 2018 is reported net of GST. Comparative revenue of the Company would have been different if previously reported corresponding period revenue was shown net of excise duty. In this conference call, we are comparing revenue net of excise & GST. You may refer to note 6 of results shared with stock exchange for further details.

- HSIL has for the quarter ended 30th June 2018 achieved revenue of around Rs.542 crore. After adjusting for GST impact as explained in note 6, there is a revenue growth of 13.4%.
- The operating profit i.e. EBITDA for the quarter ended 30th June 2018 is around Rs.46 crore as compared to previous year corresponding figure of around Rs.54 crore. During the first quarter of current financial year, USD/INR moved from 65.04 to level of 68.58 representing absolute rupee depreciation of 5.43%. The company has availed ECBs and also few Buyers credit and on account of rupee depreciation the foreign exchange loss of

around Rs.11.60 crore has been debited to P&L at EBITDA level. The previous year corresponding FX gain was around Rs.1 crore.

- Parts of these foreign currency exposures were hedged and MTM gain on these derivative transactions during the quarter is Rs.4.72 crore vs the previous year corresponding period loss of Rs.1.19 crore. These MTM gain / loss have been adjusted in Finance cost as per applicable accounting standards.
- If we adjust the impact of foreign exchange fluctuation gain or loss in EBITDA, then EBIDTA for the quarter ended 30th June 2018 will be around Rs.57.22 crore as compared to previous year corresponding figure of around Rs.52.88 crore, representing growth of 8.20%.
- Accordingly with adjustment of MTM gain in finance cost, the finance cost for the quarter would be Rs.15.93 crore vs the previous year figure of Rs.9.26 crore.

These were the few highlights relating to overall company results and now we move to the segmental results:

A. Building Products division:

- The Building products division, for the quarter ended 30th June 2018 achieved revenue of around Rs.240 crore, which after adjusting excise and GST impact has shown yoy growth of around 10%.
- During the quarter, the CPVC and UPVC Pipes and fittings plant was under trial production and generated net sales of around Rs.34 crore. This sale of Rs.34 crore has not been considered in Profit and loss account as plant was under trial run. Considering market response, the company has declared commercial production of pipes business from 9th August 2018.
- EBIT of Building products division includes foreign exchange loss of Rs.4.87 crore as compared to previous year gain of Rs.0.39 crore.
- If we adjust the effect of FX gain / loss and also the initial non capitalised expenses relating to pipes business, the EBIT of the Building products division is Rs.38 crore as compared to previous year figure of Rs.31 crore representing growth of 22%.

B. Next we will talk about the Packaging product division:

- Packaging products division for the quarter ended 30th June 2018 achieved revenue of around Rs.228 crore after adjusting for excise and GST impact, there is revenue growth of around 16%.
- Division has undertaken major overhaul of part of one glass furnace at its Bhongir plant which resulted in sub-optimal production during the quarter. Another furnace at Bhongir plant is also undergoing scheduled rebuilt and is expected to affect production and sales volume in the forthcoming quarter.

- EBIT for the Packaging products division for the quarter ended 30th June 2018 is around Rs.2 crore negative as compared to previous year corresponding figure of around Rs.16 crore.
- During the quarter, there is negative foreign exchange fluctuation impact of Rs.5.54 crore at EBIT as compared to corresponding previous period gain of Rs.0.94 crore.
- If we remove impact of foreign exchange fluctuation gain or loss in EBIT, then EBIT for the quarter ended 30th June 2018 will be around Rs.3.55 crore as compared to previous year corresponding figure of around Rs.15.38 crore mainly due to higher cost of raw material and fuel. The company is negotiating price hike with its customers to absorb the higher input prices.

C. The Consumer products division for the quarter ended 30th June 2018 achieved revenue of around Rs.55 crore representing growth of 40% over previous year corresponding figure. For the quarter ended 30th June 2018, the consumer products division has reduced EBIT loss to Rs.6 crore as compared to previous year corresponding figure of Rs.9 crore negative. The company is continuously investing in marketing, spreading brand awareness and distribution channels. The consumer product division today has 8,500 plus retail touch points and amongst the top three market leaders in kitchen hoods, hobs and chimneys.

D. The Retail division for the quarter ended 30th June 2018 achieved revenue of around Rs.22 crore against previous year corresponding figure of Rs.24 crore. EBIT for the Retail division for the quarter ended 30th June 2018 is around Rs.1 crore negative as compared to previous year corresponding figure of around Rs.3 crore negative.

So, for the quarter ended 30th June, 2018, PBT is around Rs.3 crores, as compared to previous year figure of around Rs.17 crore. Profit after tax for the quarter ended 30th June, 2018 is around Rs.2 crore, as compared to previous year corresponding figure of Rs.12 crore.

The total net bank debt of the company as on 30th June 2018 is around Rs.1050 crore with long term debt of Rs.622 crore and short term debt of Rs.428 crore with overall loan funding cost at 7.04%.

Just to summarise again, that during the first quarter, the net PBT has been impacted by the following factors:

1. Sudden rupee depreciation on account of foreign currency exposure, part of which was hedged.
2. Non capitalised pipes expenses relating to brand promotion etc. debited to Building products division results.
3. Higher input prices of fuel and raw material in Packaging products division and sub optimal production at furnaces under refurbishment.

Now we can open the call for question and answer session.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Sreeram R from Sundaram Mutual Fund. Please go ahead.

Sreeram R: Sir you had mentioned that the Forex impact at the EBITDA level is around Rs. 11.6 Crores is that right?

Sandeep Sikka: Yes.

Sreeram R: Sir how is this going to play out in the next following quarters, and just comment on your hedging policy also?

Sandeep Sikka: If I give you a slight background to this, USD/INR was at the level of 65.04 on 31st March, 2018 and went to around 68.58 on 30th June, 2018 representing 5.43% depreciation. We use a mix of foreign currency loans and rupee term loans. Our foreign currency loans are currently in the range of LIBOR + 135 bps to LIBOR + 140 bps and foreign currency loans amounting to around $20 million are hedged also. This loan we have availed at a level of around 67.50 and in May 2017 we hedged this with a call spread of 70 to 90, so there is a mark to market (MTM) gain on a derivative, which as per the accounting standard is adjusted in the interest cost and the plain principal foreign currency exchange fluctuation on foreign currency loan is debited to the EBITDA. We have Rs.11.6 crore of foreign currency fluctuation debited to EBITDA and we have Rs. 4.72 crore of MTM gain which has reduced the interest cost as in the published results. I hope I am able to communicate what I want to say.

Sreeram R: Yes, so further if we see no rupee depreciation or if it is in the same range I do not think this will be a one-off right please correct me, if I am wrong sir?

Sandeep Sikka: If you see historically the trend of last 5 to 15 years, the average rupee depreciation on a CAGR basis on a medium to long-term range varies around 3% to 4%. But this is a spurt, what we do in the long-term exposure we tend to hedge with the call spreads, which give us an advantage that if there is the rupee appreciation we actually gain on the principal and our exposures are pretty long. Loss of this foreign currency exposure is a notional loss, like one loan of ECB which we have taken and the overall tenure of the loan is eight years and it is two years and we still have six years into the loan and repayment will start another one and a half years from here. That is the loan which we have hedged also with the call spread of 70 to 90, therefore part of the exposures we keep hedged. As far as the short-term exposures are concerned, we keep monitoring them on a regular basis and try to cover them on a near term. But 100% coverage of the foreign currency exposure is not feasible because premium cost itself is very high.

Sreeram R: Sir again on the Packaging Products segment, how much of revenue did the caps and closure contribute and can you give the breakup of glass container and caps and closures. In glass container, this time although on a Y-o-Y basis we have seen growth, but is the run rate going to go down or will it be maintained. Because the other furnace will be taken up in next quarter, so this furnace would be operational right for the next quarter or both of them would be in maintenance?

Sandeep Sikka: The first furnace which we are talking is refurbishment, only part of the furnace has been rebuilt, during this period the production was lower because we were trying to run the furnace at a low rate, but it definitely increases the service life of the furnace. That is almost over and now we are rebuilding another furnace, which was already scheduled and that furnace was last built in 2009 and it is 2018 now, after nine years it is getting relined. Q2 guidance we have already given that our sales and production for the glassware will be affected, but we are very optimistic on Q3 & Q4, because we are seeing the volumes picking up in the market and all our furnaces would be up running. We expect a trend reversal here both on the sales and on the bottomline.

Sreeram R: And Sir on the caps and closure?

Sandeep Sikka: We are right now operating the first phase of caps and closure and achieved a turnover of around Rs.5 crore during the quarter & this is the first year.

Sreeram R: Fine Sir that is helpful I will join the queue. Thank you.

Moderator: Thank you. The next question is from the line of Hardik Jain from White Stone Financial Advisors Private Limited. Please go ahead.

Hardik Jain: Sir if you can share with us, in the Building products division what was the growth faucet and sanitaryware?

Sandeep Sikka: You are talking growth as a percentage of sales?

Hardik Jain: Yes you can give me the percentage that is fine.

R.B. Kabra: The faucet has grown around 25% to 26% and the sanitaryware has grown around 7%.

Hardik Jain: So this is year-on-year?

R.B. Kabra: Yes this is year-on-year for the quarter.

Hardik Jain: And Sir regarding the PVC pipe that we have started, what do you think that by what time this plant can be fully utilized and what kind of sales we can get once it is fully utilized?

Sandeep Sikka: The pipe plant is in the first three months of operation actually. We started the trial production somewhere in March and focus was in creating full level of SKUs. In the first quarter itself, we have been able to clock a turnover of around Rs.34 crore in the market. The products have been very well established, the overall plan is to build a plant capacity of around 30,000 tonnes. Right now the capacity, which we have started, is around 14,000 tonnes and we are in the process of putting more machines. You will appreciate that this is required for fittings or moulds. When we add more machines, machine capacity will also increase as it will reduce the downtime required to change the moulds regularly. Once it is fully implemented with capacity of 30,000 tonnes, we are expecting a turnover of around Rs.400 crore and this may take another two years.

Hardik Jain: Rght now capacity of plant we are using is 14,000 tonnes and roughly around 50% is utilized.

Sandeep Sikka: Yes pipe plant was under trial run till yesterday and after considering the progress of the plant, the management has now announced the commercial production with effect from 9th August 2018 which is yesterday.

Hardik Jain: In the Packaging products segment, caps business has done a turnover of only Rs.5 crore if I heard you right, so the glass business actually saw the growth despite one furnace being under maintenance.

Sandeep Sikka: Yes, for glass business, overall sales growth is around 12% to 12.5%.

Hardik Jain: This growth was led by the pricing and not because of volume because furnace was under maintenance?

R.B. Kabra: That is a mix of both, we carry inventory for the various customers because there are too many SKUs and every SKUs is not produced every month, so we carry inventory based on the projections from the customers. So volume growth is around 8% and balance is the price increase growth.

Hardik Jain: In the consumer business it was told earlier that once we reach Rs.200 crore turnover annually it will probably breakeven, but actually the loss has increased from March quarter when the run rate was almost above Rs.50 crore a quarter. So this time again although the turnover is good around Rs.55 crore but still it is making a loss at the EBIT level, what do you think when it should start making money?

Sandeep Sikka: I totally agree with you we gave that guidance, but our guidance came with a caveat that if we have to do a media campaign, there is a cost involved and during the quarter we had run a media campaign both for air coolers as well as for water purifiers, that cost has been debited to P&L. But in terms of overall gross margin, the gross margin of the businesses are pretty good, it is about 35% on an average, therefore directionality of the business is right. We have been continuously saying that the business will turnaround faster in terms of creating a positive EBIT, but when you do a media burst or anything on the brand, there is a cost which comes to the quarter and we cannot defer those costs. The performance of the business over the last three and a half years is substantially good, we reached 8,500 retail touch points in the market. We are amongst the top three players in kitchen chimneys, hoods, and hobs. We have a substantial sale in air coolers and water heaters. Water purifier is an area where we are now trying to focus and that is where the media spend is actually happening.

Hardik Jain: And you have mentioned in the release that 29th September is the shareholder meeting, so once the shareholder meeting is through how much time do you think will it take to complete the process and get listed?

Sandeep Sikka: This is a process under National Company Law Tribunal. It is difficult for me to mention an exact timelines, but broadly based on the historical trend, once we have a meeting on 29th September, 2018 which is the shareholders & creditors meeting, we expect we should get order in around 60 days. After which we will have to approach the stock exchanges for listing of new shares of Somany Homes once the scheme becomes effective and this may take another two and a half months.

Hardik Jain: Thank you Sir I will get back in the queue.

Moderator: Thank you. The next question is from the line of Rahul Agarwal an Individual Investor. Please go ahead. The line for the current participant seems to have dropped off we will move on to the next that is from the line of Hardik Jain from White Stone Financial Advisors. Please go ahead.

Hardik Jain: Just one more question. Once this demerger is done, the Hindware brand ownership will lie with the step-down subsidiary of the second company which has formed am I right?

Sandeep Sikka: The brand Hindware will move to Brilloca for all sanitaryware and all the building product businesses.

Hardik Jain: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Sunil Kothari. Please go ahead.

Sunil Kothari: Sir broadly how you think about Building products and Packaging products for the current whole year and any guidance for qualitative aspect would you like to give for the rest of the period?

R.B. Kabra: For the Building products, sanitaryware growth as we mentioned earlier we are expecting anywhere between 10% to 12%. Faucet growth, when we had the conference call for the March ended quarter we mentioned that we are expecting growth of 25% and this quarter we have maintained that kind of growth. Going forward in the Building products, we are sure of maintaining the guidance what we have given earlier, that is number one and as Mr. Sikka just mentioned that we have declared the commercial production of the pipe plant yesterday, so the revenues of the pipe plant will also start becoming part of overall division revenue, that will be additional revenue of anywhere between Rs.15 to Rs.20 crore a month going forward. So that is how the large part of the Building products will be growing.

Coming to the Packaging product which is largely the glass, as we mentioned earlier that there would be pressure in terms of cost for this quarter going forward because one of the furnaces is under shutdown for the scheduled rebuild of the refractory lining which comes after eight - nine years. So that will be completed by middle of September and furnace will be lit up by end of September finally coming into the production taking around 15 days to heat up. And as you know that H2 is always better for glass plant being in South India where the summer sets in early and the procurement by the beer and soft drink people starts sometime in November, December so and historically also you will see the H2 is much better than H1. So I think starting from the Q3 onwards the glass should be back on the earlier levels of EBITDA.

Sunil Kothari: And Sir your view on margins of Building product division because you always rightly say that as faucet grows higher our EBIT margin will be lower because sanitaryware is a higher margin business and faucet is a lower. So basically what type of guidance would you like to share on EBIT margin?

R.B. Kabra: EBIT margin if you currently see they are reasonably okay it might go up about 1% or 2%.

Moderator: Mr. Kothari you may repeat your questions for the benefit of the management please.

R.B. Kabra: Mr. Kothari did you hear me.

Sunil Kothari: Yes now yes I will be hearing you.

R.B. Kabra: Okay so I was talking about the glass and I mentioned that H2 is always good. The next question was the EBIT guidance on the building product business. This quarter has seen a good EBIT levels for the building product business and going forward we are looking for the price increase sometime in Q3, if that comes through depending on the market situations then probably from Q3 and Q4 the margins might go up by 1% or 2%.

Sunil Kothari: And Sir because of this relining of glass furnace, what type of cost will be incurring or debiting to P&L maybe in this current quarter and now onwards?

R.B. Kabra: In P&L, it is only the fixed cost which gets attributed because of the lower production, otherwise the capitalization is done because this is how we depreciate the furnace. Whenever it is done for relining, the rebuilding cost is capitalized because this will go for another 9 to 10 years.

Sunil Kothari: And Sir any guidance on this Consumer products division, EBIT and topline growth?

Sandeep Sikka: We are fairly hopeful that we should get EBIT positive maybe in next one or two quarters, it was media spend during the Q1 which was bit higher. As we move forward the business and gross margin will be good, directionality of business is right. So we are fairly bullish on this business.

Sunil Kothari: Great sir thank you very much.

Moderator: The next question is from the line of Pratik Singh from Haitong Securities. Please go ahead. The line for the current participant seems to have got disconnected we will move on to the next participant. That is from the line of Yash Kumar a Private Investor. Please go ahead.

Yash Kumar: Sir my question is pertaining to demerger, could you explain the rationale for not transferring the fixed assets of Building products company to the demerged company Brilloca?

Sandeep Sikka: Today the world is moving towards creating asset light model and the whole rationale of creating Brilloca & Somany Home Innovations is to create a vertical wherein it is more focused towards consumer side of the business. You have to understand what all we do, we invent new products, we interact with consumer, product should talk with consumer then it is followed by product development, market research, consumer research, delivery of product to the market, distribution network & after sales service and this is a whole cycle of interacting with the consumer. Our 75% to 80% of the frontend activities are focused towards this and the management thought that we should bring synergy in creating two verticals, one totally focusing on manufacturing and that should be the excellence of manufacturing vertical and rest is the excellence of consumer facing vertical and this is the rationale on which the whole the demerger was constructed.

Yash Kumar: And Sir in Building product division how much revenue is contributed by the outsource products and post the demerger who will deal with the outsourcing parties, Brilloca or it will directly by HSIL?

Sandeep Sikka: We outsource around 45% of our product which we sell in building products, part of the faucets we outsource and majority of fittings and other things is outsourced. Outsource means outsource to a third party. Once the demerger happens, Brilloca will enter into an arrangement with HSIL manufacturing plant for buyout of the material and rest of the products which we call as a traded product which we buy from outside will continue to be sourced by Brilloca from the market.

Yash Kumar: And Sir my last question would be how much operating margin will be able to generate in Brilloca, is it in high single digit or more than that?

Sandeep Sikka: It will be double digit, you need to understand here that it is not by demerger that if our margins are right now let us say 17% to 18% we are going to give half of the margins in HSIL. Margins are associated in this product relating to the brand, so since the brand is moving to Brilloca, major chuck of operating margins will actually get shifted into Brilloca.

Yash Kumar: Okay Sir and in Consumer product division how much you spend on advertisement?

Sandeep Sikka: We do not disclose line-by-line figures, overall guidance I have given.

Yash Kumar: Okay Sir thank you.

Moderator: Thank you. The next question is from the line of Hardik Jain from White Stone Financial Advisors. Please go ahead.

Hardik Jain: Sir what amount we have spent on the maintenance cost for the furnace and whether we have taken it to through P&L or capitalized it?

Sandeep Sikka: Mr. Kabra has already responded, all this cost to rebuilding the furnaces are taken every 9 to 10 years and these are capitalized and ammortise over six and a half years which is as per the accounting manual.

Hardik Jain: And due to this maintenance have you measured how much sales or we must have lost in the glass business?

R.B. Kabra: No, we have not lost sales as I just mentioned that we always carry inventory for each SKU because the customers give us projections for the whole year or for maybe at least six months as we are not able to produce each SKU every month due to various colors and designs, so inventory is always kept. This quarter there has been no sale loss and Q2 in any case is poor in terms of sales in Southern part of the country where our glass plants are located that is the precise reason that we have planned the shutdown of the furnace in this quarter. Hopefully in this quarter as one furnace which was producing less has been repaired and it is producing full, I hope there will be no sale loss but even if that is there, will be very negligible in this quarter also.

Hardik Jain: But if we have no sale loss and the maintenance cost is capitalized then I am just failing to understand why EBIT loss is there in this segment?

Sandeep Sikka: That is more on account of the fuel and raw material prices as we disclose now just in the call.

Hardik Jain: Fuel and raw material prices, so this pass on will happen with a lag, you think in the second half?

Sandeep Sikka: Yes.

Hardik Jain: Thank you.

Moderator: Thank you. The next question is from the line of Kritika S from IIFL. Please go ahead.

Kritika S: Sir I just wanted to confirm that 1% to 2% price hike you spoke about is that in sanitaryware I missed that part?

Sandeep Sikka: I think we answered the question, shall we repeat or not.

Kritika S: We did not get the answer sir, if you could please repeat?

Sandeep Sikka: The question was relating to the glass and the main reason for drop in EBITDA is on account of higher fuel and raw material prices, which we feel that we will be able to pass on with our customers with some lag. We had one round of upward revision on the selling price; we are negotiating another one with the customers.

Kritika S: Sir the price revision of 1% to 2% is in the container glass segment?

Sandeep Sikka: We are talking more than 1% to 2%.

Kritika S: And Sir is there any price hike been taken in sanitaryware, given the higher gas prices there?

R.B. Kabra: Yes in April month we had price increase.

Kritika S: Sir could you quantify the same?

R.B. Kabra: It is around 3.5%.

Kritika S: Sir any outlook, do we plan to increase the prices there further or is this sufficient to offset increase in LNG?

R.B. Kabra: I think whatever price increase we did was enough to take care of the cost which has gone up and I think going forward sometime in the Q3 there should be another price increase of similar kind.

Kritika S: Sir just one more question how large is this furnace that is being rebuild at Bhongir as a share of capacity?

R.B. Kabra: The total capacity of the glass containers between two plants is 1600 TPD. Two furnaces of 475 TPD each, one furnace is 350 TPD and another furnace is 300 TPD. So out of this 1600 TPD, the furnace which is under repair is 475 TPD.

Kritika S: But still we expect marginal loss of sale you mentioned in the next quarter?

Sandeep Sikka: Yes because till now we were carrying the inventory since two furnaces, one furnace was going slow another which has been shutdown to rebuild.

R.B. Kabra: I do not know whether you know the history that one of our furnaces was shut for three years because of the poor sales.

Kritika S: Yes right.

R.B. Kabra: So that furnace we have lit up.

Kritika S: Okay that is of 300 TPD or something if I am not wrong?

R.B. Kabra: Yes, so that will take care of this part shutdown of the capacity.

Kritika S: And Sir just any commentary on HNG, we are gaining market share from them and what is the entire scenario of the container glass industry as a whole.

Sandeep Sikka: Difficult to comment on the competition.

Kritika S: Okay Sir that is from my side thanks a lot.

Moderator: Thank you. The next question is from the line of Ritika Agrawal from Quest Investment Advisors. Please go ahead.

Ritika Agrawal: Are we seeing introduction of any new products in our consumer segment?

Sandeep Sikka: We are evaluating various products but not yet approved by the board, we are focusing right now on the current products which we sell kitchen hoods, hobs and chimneys, water heaters, water purifiers, air purifiers and air coolers.

Ritika Agrawal: My second question is what is the EBIT margin for pipes and caps and closure segment

Sandeep Sikka: For caps and closure once the full load on the plant is there we are expecting 25% plus EBITDA margin and for pipes when we reach the full level of our plant EBITDA margin ranging between 12% to 14%.

Ritika Agrawal: For the pipes.

Sandeep Sikka: For the pipes CPVC and UPVC.

Ritika Agrawal: You said EBITDA.

Sandeep Sikka: Yes EBITDA.

Ritika Agrawal: And how are we seeing debt going forward.

Sandeep Sikka: If you see our overall debt, it is fairly okay today and we are contracting long-term debt. Our long-term debt is Rs.622 crore and short-term is another Rs. 428 crore. Our repayment in the next three years are not high ranging between somewhere around Rs. 130 to Rs.140 crore. So that will be there on the balance sheet, but this will be fairly long-term debt and this debt is contracted on an average cost of around for rupee term loans is about 8.5% and for foreign currency loan it is Libor + 135 bps to Libor + 140 bps.

Ritika Agrawal: Thank you Sir. The next question is from the line of Sreeram R from Sundaram Mutual Fund. Please go ahead.

Sreeram R: Sir regarding your glassware segment, apart from the liquor industry which other industries do you serve?

R.B. Kabra: Large customers are liquor and beer & then we have food, pharma and soft drink. Five groups we classify as broad categories.

Sreeram R: And significant portion will be from the liquor industry if I am not wrong?

R.B. Kabra: The significant portion is liquor and beer.

Sreeram R: Sir like I am hearing some news that the milk pouches which are currently sold, there is a possibility that they might get converted into a glass which used to be earlier so in that case how would you be positioned to take on the opportunity.

R.B. Kabra: Yes as we mentioned that the capacity utilization in the plants at current level as the one furnace of 300 TPD was shut was around again 1300 tonnes utilization was around 80% to 83% and now the furnace has been lit up and the one furnace which is under maintenance will also be lit up sometime in September, then the capacity utilization will be around 70% so we have enough capacity going forward for the next two three years, there is no issue.

Sreeram R: Fine Sir. Thank you so much.

Sandeep Sikka: No more questions, we can close down the call now.

Moderator: Sir would you like to add any closing remarks.

Sandeep Sikka: Financial results do not look that great, but the first level of analysis on the foreign exchange has to be done. Results of building products division are good and we have been able to substantially reduce our losses on the retail business, consumer product is doing great. Only point of consideration is the Packaging products, we are seeing demand in the market that is why one furnace which was shut down for many years was relit last year. Another furnace will be rebuilt in next 45 to 90 days. I think in Q3 and Q4, a lot of turnaround on the overall things is expected but this all depends on the market conditions, we have elections coming by May, but overall tone is we are fairly bullish on the overall strategy which we have built for our growth. So I would like to thank all the participants on the call who have come and joined us and any other questions you may have, you can definitely write back to us. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Emkay Global Financial Services that concludes today's conference. Thank you for joining us and you may now disconnect your lines.